

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

UIL: 4945.04-04

LEGEND

B= Scholarship Program Name
C= Scholarship Management Company Name
D= County, State
E= Committee Name
x = Number

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called B.

You engage in charitable activities by enhancing access to higher education for students of agriculture. You state that you will make contributions to C to fund scholarships annually.

The number of scholarships that will be awarded each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed. The trust is required to annually distribute the greater of the net income of the trust or the amount that must be distributed to satisfy Code section 4942.

The information submitted indicates that grants funded by you will be administered, supervised, and paid out by C. C is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization.

The scholarship program is publicized at x high schools (public and private high schools) in the D area via promotional flyers mailed to the schools and through C's website.

The scholarship eligibility criteria are:

- Seniors or graduates of a D high school
- Full-time students (i.e., 12 units)
- Students who have achieved at least a 2.0 GPA each term
- Students who have an Agriculture or Agriculture-related major (Forestry is not included) at an accredited two- or four-year college or university

Each year you will inform the E of the amount of funds available to be awarded as scholarships. The members of the committee review the scholarship applications and the ranked list of applicants provided by B (ranked 1/3 past academic performance and future potential, 1/3 leadership and participation in school and community activities, work experience, statement of career and educational aspirations and goals, unusual personal or family circumstances, and an outside appraisal and 1/3 financial need). You will also consider for your scholarship program students who are interested in stock raising, farming and soil conservation, and who are without sufficient funds with which to obtain and education.

The students are to be selected by a majority of E and your committee designates the student or students who will receive the funds and the amounts. You will award scholarships on an objective and non-discriminatory basis. No scholarship may be awarded to any disqualified person as defined in Code section 4946. The E reviews the applications and designates the student or students who shall receive the funds and the amount to be awarded to the students. The scholarships are renewable if the applicants are full-time students (i.e., 12 units), achieve at least a 2.0 GPA each term, and have an agriculture or agriculture-related major at an accredited two- or four-year college or university.

C pays the scholarship proceeds directly to the university/college the recipient attends for the benefit of the recipient. C will provide a letter to each university/college specifying that the university/college's acceptance of the funds constitutes the university/college's agreement to (i) refund any unused portion of the scholarship if a scholarship recipient fails to meet any term or condition of the scholarship; and (ii) notify C if the scholarship recipient fails to meet any term or condition of the scholarship. If the university/school will

not agree to such terms, C will obtain the needed reports and grade transcripts from the scholarship recipient.

You represent that you will (1) arrange to receive and review recipient reports annually and upon completion of the purpose for which the scholarship was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds. You will ensure other scholarship funds held by a recipient are used for their intended purposes, and will withhold further payments to recipients until you obtain recipients' assurances that future diversions will not occur.

You also represent that you will maintain all records relating to individual scholarships including information obtained to evaluate recipients, identify whether a recipient is a disqualified person, and establish the amount and purpose of each scholarship along with the supervision and investigation of such scholarships.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations